

Maricopa County Policies and Procedures	Subject: Budgeting for Results Policy Guidelines <div style="text-align: right;"> Number: B1006 Issue Date: 12/97 Revised: 11/98 Amended: 01/99 Revised: 11/99 Revised: 12/00 Revised: 04/01 </div>
Approved: Janice K Brewer	Initiating Department: Office of Management and Budget

A. Introduction

The purpose of this policy is to set forth the guidelines for developing the FY 2001-02 budgets for Maricopa County, as well as the Flood Control, Library, and Stadium Districts. Maricopa County's budget process provides for responsible management of taxpayers' resources, while insuring that funds are directed towards achieving results at all levels.

B. Definitions

Budgeting for Results: A process in which budgetary decisions are based on or informed by performance information that describes the cost or efficiency of producing an activity and the results achieved for customers. This is accomplished by structuring the accounting and budgeting systems according to the structure of Departments' Strategic Plans.

Structurally Balanced Budget: A budget in which all recurring expenditures are fully supported by recurring sources of funding.

C. Policy Guidelines

1. General Guidelines for Budget Development:

- a) The budget will be based on conservative revenue estimates and will be **structurally balanced**. The budget will be formulated in accordance with the *Reserve and Tax Reduction Policy Guidelines (B1007)*.
- b) In accordance with the Board of Supervisors/Board of Directors' *Managing for Results Policy (B6001)*, Budgeting for Results is part of an overall management system that integrates planning, budgeting, reporting, evaluating and decision-making that is focused on achieving results and fulfilling public accountability. Departments/Special Districts are required to participate in the strategic planning process, and their plans and performance measures, along with strategic direction from the Board of Supervisors/Board of Directors, will be the primary basis for funding decisions.
- c) The Office of Management and Budget will analyze all base budgets to identify possible reductions, and will analyze all results initiative requests in detail, with particular focus on their impact on results.
- d) All requests for additional funding will be reviewed on a limited basis, with only the highest priorities recommended. Requests for additional funding will be considered only if Departments/Special Districts have met the requirements for "Planning for Results" under the *Managing for Results Policy (B6001)*. Primary consideration will be given to:
 - *Mandated health care;*
 - *Full funding of the current five-year Capital Improvement Program and other infrastructure investments;* new projects may be considered for funding only when all previous commitments are funded, or if funding can be reallocated by eliminating or scaling back previously approved and funded projects.

- *Criminal justice initiatives*, particularly new or enhanced programs that will result in reduced jail and juvenile detention over-crowding, and justice related issues;
- *Compensation*, with priority on completing previously identified market adjustments where attrition rates are still above local standards.

The Board of Supervisors/Board of Directors can change or revise the priorities listed above after reviewing the strategic goals developed by Departments/Special Districts, and as they refine their own strategic direction and goals.

- e) Additional funding for jail and juvenile detention facilities will be provided for in the budget in accordance with the voter-approved Jail Excise Tax and its enabling statute.
- f) Consistent with the County's compensation plan, additional funding for FY 2001-02 pay increases will be allocated to Departments/Special Districts when achieving program results depends on improving employee recruitment and retention, and when compensation levels can effectively influence these factors.
- g) Directors and Program Managers will critically review new, unfunded or under-funded program mandates from the State and Federal governments in order to determine the fiscal impact to the County and to identify funding solutions.
- h) All positions will be fully funded in the budget or designated for elimination in accordance with the *Funded Position Policy (B3001)*.
- i) Wherever possible, grants and other non-local revenue sources will be used before allocating General Fund resources or other local revenues. Grant and other special revenue budgets will be developed in accordance with the *Policy for Administering Grants (F2001)* and the *Indirect Cost Policy for Grant Programs (F2002)*. Matching funds will be budgeted only to the extent required by law or by contracts and agreements specifically approved by the Board of Supervisors/Board of Directors.
- j) Wherever possible, the annual budget will provide for the adequate and orderly replacement of facilities and major equipment from current revenues based on confirmed analytical review of need. Vehicle replacement will conform to the *Policy for General Fund Vehicle Replacement (B4002)*.

2. Revenue:

- a) Existing grant agreements or grant applications must support budget requests for grants.
- b) Where appropriate, services and programs will be supported by user fees. User fees will recover the County's full direct and indirect costs, unless market considerations dictate otherwise. All user fees will be reviewed annually in conjunction with the budget development process. Because expenditures supported by user fees are generally subject to the Constitutional expenditure limitation, such expenditures must be carefully reviewed, and user fee rates should be reduced if they can no longer be justified by actual expenditures.
- c) Anticipated revenue to the County from fee increases will not be budgeted unless the Board of Supervisors/Board of Directors has approved such increases.
- d) All Departments/Special Districts, including elected officials and the Judicial Branch, will report to the Board of Supervisors/Board of Directors via the Office of Management and Budget all non-appropriated funding sources available to support their operations and programs, either directly or indirectly. When investigatory or security issues are of concern, such issues will be addressed on an individual basis.

3. Expenditures:

- a) Departments/Special Districts shall submit base expenditure requests within the budget target provided by the Office of Management and Budget. The Office of Management and Budget will develop targets for each fund budgeted by a Department/Special District according to its current FY 2000-01 budget, with the following adjustments:
- The annualized cost of FY 2000-01 approved budget issues (referred to as "results initiative requests" for FY 2001-02).
 - Net increases in operating costs for new capital facilities, and other additions to County maintained facilities.
 - The annualized cost of any other items approved by the Board of Supervisors/Board of Directors that have a budget impact in future years.
 - Adjustments to reflect changes in the number of paid hours per full-time equivalent position.

The Office of Management and Budget may adjust budget targets at any time during the budget development process prior to the Board's adoption of the Tentative Budget.

- b) Requests for funding above base level must be submitted as *Results Initiatives Requests*, and must be directed to achievement of approved strategic goals that align with the direction of the Board of Supervisors/Board of Directors. Results Initiative Requests must be supported by complete performance measures that can be used to monitor and evaluate the initiative's success if funded.
- c) To insure long-term compliance with the County's Constitutional expenditure limitation, Results Initiative Requests that total 7.5% or more above a department's base budget request may be submitted only with the prior approval of the Deputy County Administrator. If Results Initiative Requests do not meet this requirement, they will be returned unanalyzed and the target budget alone will be recommended to the Board of Supervisors.
- d) In order to promote consistent and realistic budgeting of personnel, all personal service budgets shall include a reasonable allowance for personnel savings due to natural staff turnover. The rate of personnel savings should be budgeted based on past experience. Budgeted personnel savings may be budgeted conservatively for smaller departments that are subject to greater variations in staff turnover.
- e) No "carryover" capital outlay or capital improvements will be budgeted unless specifically approved by the Board of Supervisors/Board of Directors. Departments that do not identify and receive approval for carryover items will be required to eliminate them or fund them from within their operating budgets.
- f) Major Maintenance projects and Vehicle Replacement for General Fund Departments will be budgeted in General Government. All non-General Fund Departments will fund their own Major Maintenance projects and Vehicle Replacement.

4. Budget Process:

- a) All Appointed, Elected and Judicial Branch Departments/Special Districts will follow these policy guidelines in preparing their FY 2001-02 budget requests.
- b) All Appointed, Elected, and Judicial Branch Departments/Special Districts will submit budget requests to the Office of Management and Budget (OMB) following the detailed timeline, directions and format prescribed by OMB.

- c) Department/Special District financial reporting structures will be established by the Financial Reporting Review Committee and must be finalized prior to budget submission.
- d) All budget requests will be submitted at a detailed level by department, fund, organization unit, object/revenue source, and month. *Beginning with FY 2002-03, budget requests will also be developed by program and activity.* Departments/Special Districts will prepare their budget requests in the budget preparation system provided by the Office of Management and Budget, and will follow all system instructions.
- e) The Deputy County Administrator (DCA) will negotiate budget recommendations with Elected Officials and Judicial Branch departments. If agreement cannot be reached with the DCA, the Presiding Judge and elected officials may continue negotiation directly with the County Administrative Officer or the Board of Supervisors.

5. Capital Improvement Projects:

- a) Upon recommendation of the Facilities Review Committee and identification of available funding, the Office of Management and Budget will recommend a five-year Capital Improvement Program to Board of Supervisors/Board of Directors in accordance with the Capital Improvement Program Policy.
- b) The Board of Supervisors/Board of Directors may allocate carry-over fund balances to one-time capital items in accordance with the *Reserve and Tax Reduction Policy (B1007)*.
- c) When requesting funding for capital improvement projects, Departments/Special Districts will provide estimates of increased operating costs associated with each individual project.
- d) Capital improvement program budgets may include a contingency budget reserve to fund project overages of up to 10% or \$1,000,000, whichever is less.

6. Internal Charges and Indirect Cost Allocations:

- a) Internal service departments and County Counsel will develop estimates of base and discretionary charges for each Department/Special District they serve according to instructions from OMB. All estimates will be reviewed by the user departments, OMB and Finance. The deadline for submitting internal service cost estimates to OMB is December 29, 2000. Internal service costs will be released to departments the week ending January 12, 2001.
- b) All internal charges will be based strictly on recovery of actual costs for providing services or sharing use of equipment or facilities; charges between Departments/Special Districts that are based on "market rates" and exceed actual costs are prohibited. Allocation of costs between funds for shared use of buildings or equipment will be determined consistent with the Central Service Cost Allocation plan prepared by the Department of Finance.
- c) Base-level or non-discretionary internal services will be charged at the fund level. General Fund department charges will be budgeted in, and paid from, General Government. Discretionary internal service charges are the responsibility of the requesting Department/Special District.
- d) The Department of Finance will assess Central Service Cost Allocation charges from all non-General Fund agencies except grants based on a full-cost allocation methodology. The Department of Finance will provide departments that administer grants with an indirect cost rate established according to the methodology allowable by the grantor.

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- e) Funding for the Self-Insurance Trust Fund will be assessed from all funds as a base-level charge based on a funding plan developed by the Risk Management Department. The funding plan will provide for an ending cash balance equal to the projected paid losses and claims-related expenses for the upcoming fiscal year.

7. Use of the Jail Excise Tax:

- a) The Jail Excise Tax, authorized by A.R.S. §42-6109 and approved by the voters of Maricopa County in November 1998, is a non-recurring revenue source. Consistent with Maricopa County's budgetary and fiscal policies and the need to maintain a structurally balanced budget, it is the intent of the Board of Supervisors, whenever possible, to fund all recurring operating expenditures, including alternative jail population reduction programs, from recurring revenue sources.
- b) Operating costs for existing jail and juvenile detention facilities will be held to a minimum, and, if possible, will not exceed the required Maintenance of Effort allocation to the Jail Tax Fund from the General Fund, as required by A.R.S. §42-6109.
- c) Operating costs for new jail and juvenile detention facilities will be supported by allocations from the General Fund to the Jail Tax Fund above and beyond the required Maintenance of Effort whenever possible.
- d) Funding for the integrated criminal justice information system project will be set at an appropriate level based on demonstrated benefits that justify the investment.
- e) Information Technology budget requests will be considered for funding from Jail Excise Tax proceeds under the following circumstances:
 - The request is directly related to operation of current and new jail and juvenile detention facilities.
 - The request is part of, or is necessary for full implementation of, the integrated criminal justice information system project, as described in the referendum documentation.
 - If funds are available once the Master Plan has been provided for, jail excise tax funds could be considered for information technology requests that increase the efficiency of various components of the criminal justice system, so long as the project meets one of the authorized uses in A.R.S. §42-6109. These include
 - Developing regional centers for courts not of record.
 - Implementing differentiated case management for criminal cases in superior court.
 - Consolidating criminal divisions of the superior court in the county to a common location.
 - Expanding pretrial release supervision.
 - Implementing electronic monitoring of pre-adjudicated defendants.
 - Enhancing substance abuse evaluation and programming.
 - Increasing drug court admissions to include pre-adjudicated defendants and expanding drug court jurisdiction.
 - Using community based juvenile detention and post-adjudication programs.